

24 February 2021

Subject: Management Discussion and Analysis of Operating Results for the Year 2020

To President
The Stock Exchange of Thailand

Quality Houses Public Company Limited and its subsidiaries (“The Company”) would like to report its operating results for the year 2020 and 2019 with the detail as follows:

I Operating revenue breakdown by business segment

	(Unit: Million Baht)			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Revenue from sales of real estate	8,503	9,291	(788)	(8)
Revenue from hotel operations	330	1,052	(722)	(69)
Revenue from office rental operations	305	337	(32)	(9)
Other income	<u>232</u>	<u>254</u>	<u>(22)</u>	(9)
Total revenues	9,370	10,934	(1,564)	(14)

In summary, the Company generated total revenues for the year 2020 and 2019 at Baht 9,370 million and Baht 10,934 million respectively, decreasing by Baht 1,564 million or 14% decrease compared to the same period of 2019. Details are as follows:

1. **Revenue from sales of real estate** for the year 2020 decreased by Baht 788 million or 8% decrease compared to the same period of 2019. This was due to a decrease in revenue from housing projects by Baht 152 million or 2% decrease compared to the same period of 2019. Meanwhile, revenue from condominium projects also decreased by Baht 636 million or 43% decrease compared to the same period of 2019 since the COVID-19 pandemic has caused Thailand’s economic slowdown, which resulted in a decrease in demand for real estate.

In 2020, the Company launched 4 new housing projects with total project value of Baht 5,012 million and closed 6 sold-out housing projects.

2. **Revenue from hotel operations** for the year 2020 decreased by Baht 722 million or 69% decrease compared to the same period of 2019. This was mainly due to impacts of the COVID-19 pandemic.

3. Revenue from office rental operations for the year 2020 decreased by Baht 32 million or 9% decrease compared to the same period of 2019.

4. Other income for the year 2020 decreased by Baht 22 million or 9% decrease compared to the same period of 2019.

II Cost of sales breakdown by business segment

	(Unit: Million Baht)			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Cost of real estate sold	5,775	6,180	(405)	(7)
Cost of hotel operations	428	761	(333)	(44)
Cost of office rental operations	<u>115</u>	<u>142</u>	<u>(27)</u>	(19)
Total cost of sales	6,318	7,083	(765)	(11)

Total cost of sales in 2020 decreased from the same period of 2019 by Baht 765 million or 11%, which varied with a decrease in revenue in each business segment as shown in the Table of operating revenue breakdown by business segment.

III Share of profit from investments in associates

In 2020, the Company's share of profit from investments in associates was Baht 1,530 million, which decreased by Baht 397 million or 21% decrease compared to the same period of 2019. Details of the Company's share of profit from 4 associate companies are as follows:

	(Unit: Million Baht)			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Home Product Center Plc.	1,020	1,232	(212)	(17)
LH Financial Group Plc.	311	442	(131)	(30)
Quality Houses Leasehold Property Fund	167	192	(25)	(13)
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	<u>32</u>	<u>61</u>	<u>(29)</u>	(48)
Total	1,530	1,927	(397)	(21)

IV Interest income

	(Unit: Million Baht)			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Interest income	7	15	(8)	(53)

Interest income for the year 2020 decreased by Baht 8 million or 53% decrease compared to the same period of 2019.

V Expenses

			(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Selling expenses	426	585	(159)	(27)
Administrative expenses	1,364	1,670	(306)	(18)
Finance cost	392	390	2	0.5
Income tax expenses	284	294	(10)	(3)

1. Selling expenses for the year 2020 decreased by Baht 159 million or 27% decrease compared to the same period of 2019. This was mainly due to a decrease in advertising and public relations expenses as well as a decrease in specific business tax and transfer fees which varied with a decrease in transfer of real estate compared to the same period of 2019.

2. Administrative expenses for the year 2020 decreased by Baht 306 million or 18% decrease compared to the same period of 2019. This was mainly due to an increase in employee benefit provision of Baht 46 million in 2019, based on the Labor Protection Act (Issue 7) B.E. 2562 with an increase in rate of severance pay. In addition, after-sales service expenses in 2020 also decreased since the Company continued to focus on costs control.

3. Finance cost for the year 2020, consisting of interest expenses, bank fees and financial advisory fees, increased by Baht 2 million or 0.5% increase compared to the same period of 2019.

4. Income tax expenses for the year 2020 decreased by Baht 10 million or 3% decrease compared to the same period of 2019. These expenses varied with a decrease in the Company's operating profit (excluding share of profit from investments in associates).

VI Net Profit

			(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Net Profit	2,123	2,854	(731)	(26)

In 2020, the Company's net profit decreased by Baht 731 million, or 26% decrease compared to the same period of 2019. This was mainly due to a decrease in gross profit from sales of real estate by Baht 383 million, a decrease in gross profit from hotel operations by Baht 389 million and a decrease in share of profit from investments in associates by Baht 397 million. Meanwhile, selling expenses decreased by Baht 159 million. Administrative expenses decreased by Baht 306 million and income tax expenses decreased by Baht 10 million.

VII Financial Position

	31 December 2020	31 December 2019	Change	(Unit: Million Baht) Change (%)
Total assets	47,667	50,902	(3,235)	(6)
Total liabilities	21,099	24,039	(2,940)	(12)
Total shareholders' equity	26,568	26,863	(295)	(1)

- **Financial position**

As of 31 December 2020, the Company's total assets decreased by Baht 3,235 million or 6% decrease from the end of 2019 (as of 31 December 2019). This was mainly due to a decrease in land and construction in progress as well as a decrease in land and project development costs by Baht 3,935 million. Meanwhile, total liabilities decreased by Baht 2,940 million or 12% decrease from the end of 2019 (as of 31 December 2019). This was mainly due to repayment of matured debenture of Baht 8,000 million. Meanwhile, short-term loan from financial institution increased by Baht 500 million and long-term loan increased by Baht 3,944 million.

- **Shareholders' Equity**

As of 31 December 2020, total shareholders' equity of the Company decreased by Baht 295 million or 1% decrease from the end of 2019 (as of 31 December 2019). This was due to changes in accounting policies of associates which resulted in a decrease in the shareholders' equity by Baht 109 million. In addition, other comprehensive income decreased by Baht 488 million mainly due to a loss from share of other comprehensive income of associates-net of income tax. Meanwhile, the Company recorded a net profit of Baht 2,123 million for the year 2020 and paid an interim dividend of Baht 1,392 million in May 2020 in accordance with the resolution of the Board of Directors' Meeting No.4/2020 dated 20 April 2020. In addition, in September 2020 the Company paid an interim dividend of Baht 429 million in accordance with the resolution of the Board of Directors' Meeting No.7/2020 dated 10 August 2020.

Please be informed accordingly.

Sincerely yours,

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Senior Executive Vice President

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